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FILED FOR RECORD AT REQUEST OF:

Jerry K. Boyd
Paine, Hamblen, Coffin, Brooke & Miller LLP
1200 Washington Trust Financial Center
717 West Sprague Avenue
Spokane, WA 99201-3505

COVER SHEET - INDEXING FORM

**LAW OFFICES OF
PAINE, HAMBLIN, COFFIN, BROOKE & MILLER LLP**

Document Title:	Settlement Agreement
Owner:	(b) (6) Trustees (b) (6) Living Trust
Grantee:	ConocoPhillips Company
Abbreviated Legal Description:	Tracts "A" and "B" of SP87-520, being a portion of SW¼NW¼ 22-26-43
Additional Legal On:	Exhibit "B"
Assessor's Parcel Numbers:	36223.9143 and 36223.9142

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SETTLEMENT AGREEMENT

This Settlement Agreement ("this Agreement") is entered into and effective as of this day of January 14, 2003, by and among ConocoPhillips Company, formerly known as Phillips Petroleum Company, (hereinafter "**ConocoPhillips**") a Delaware Corporation, and the ^{(b) (6)} Living Trust, a revocable trust dated, December 8, 1998, (the "**Trust**") and ^{(b) (6)} in their respective capacities as **Trust Trustees** and individually, with an address of 2323 E. Illinois Avenue, Spokane, Washington (hereinafter, the **Trust** and Mr. & Mrs. Schmidt are collectively referred to as "**Owner**"). **Owner** and **ConocoPhillips** are referred to herein collectively as the "**Parties**".

Recitals

WHEREAS, the **Trust** is the owner in fee simple of that certain parcel(s) of property located on the Northeast corner of Freya and North Market Street in the City of Spokane, Washington, generally known by the address: 8520 N. Freya Avenue, Spokane, Washington (the "**Premises**"); and

WHEREAS, The Washington Department of Ecology (hereinafter "**Ecology**") recently required **ConocoPhillips** to implement a remedial action that, in part, dealt with impacts to soils and groundwater from petroleum hydrocarbons and other substances on and/or under the **Premises** and property located adjacent to and in the vicinity of the **Premises**; and

WHEREAS, **Owner** has alleged that they have a groundwater well on the **Premises** that was previously used for drinking water and that because of the petroleum hydrocarbon impacts to that groundwater well **Owner** was required to, and did, install a connection to the City of Spokane municipal water supply, and that **Owner** has now been required by **Ecology** to abandon the groundwater well on the **Premises** and to record a restrictive covenant prohibiting and/or restricting future use of the groundwater on the **Premises**; and

WHEREAS, **Owner** has alleged that **ConocoPhillips** may be liable to **Owner** for the costs that he has incurred and for future actions that may be required by **Ecology**; and

WHEREAS, **Owner** and **ConocoPhillips**, without admitting any liability for any petroleum hydrocarbons present on the **Premises**, desire to settle the claims that has been made by **Owner**, and all other matters that now exist between them relating to the **Premises** or contamination by petroleum hydrocarbons or other substances that may have been released from

ConocoPhillips operations on the **Premises** or on property adjoining to or in the vicinity of the **Premises**.

Agreement

NOW, THEREFORE, in consideration of the promises and consideration contained herein and such other good and valuable consideration the adequacy and sufficiency of which is hereby acknowledged, the **Parties** agree as follows:

1. **ConocoPhillips** agrees pay to **Owner** the sum of SIXTY ONE THOUSAND SEVEN HUNDRED FIFTY EIGHT DOLLARS AND 58 CENTS (\$61,758.58) within 30 days of the effective date of this **Agreement** by check made payable to: "Schmidt Living Trust, dated December 8, 1998". In addition, **ConocoPhillips** agrees to perform any investigation and remediation activities, including well plugging and abandonment, on the **Premises** which may be required in the future by **Ecology** or any regulatory agency with jurisdiction or otherwise deemed necessary by **ConocoPhillips**, within the time frame required by any regulatory agency, to the extent those activities are required as a result of an alleged release of petroleum hydrocarbons from the operations of **ConocoPhillips**, or any of its predecessor companies.

2. **Owner** hereby grants **ConocoPhillips**, its employees and independent contractors, a limited right of access to the **Premises** to implement the activities required by this **Agreement**.

3. Nothing in this **Agreement** shall be construed as an admission of fact or liability by **ConocoPhillips** or by **Owner** relating to the **Premises** or any contamination of the **Premises** by petroleum hydrocarbons or by other substances, by whom liability is expressly denied. This **Agreement** and any negotiations or proceedings conducted herewith shall not be offered or received in evidence, or used in any legal or administrative proceedings against or among the **Parties** for the purpose of establishing proof of any fact, except proof of the existence, validity, and enforceability of this **Agreement**.

4. **Owner** agrees that within thirty (30) days of the effective date of this **Agreement**, it will execute and record, or allow **ConocoPhillips** to record, a restrictive covenant relating to the groundwater on the **Premises** in the form attached hereto as Exhibit "A".

5. Except as provided for elsewhere in this **Agreement**, **Owner** releases and forever discharges **ConocoPhillips** and its affiliates, predecessors, successors, assigns and parents, and each and every of their respective officers, directors, employees, agents and contractors from and against any and all liabilities, claims, damages, losses, suits or demands of any nature, whether under the Washington Model Toxics Control Act, the Comprehensive Environmental Response, Cleanup and Liability Act, 42 USC 6701 et seq, the Resource Conservation and Control Act, 42 USC 6901 et seq., or the provisions of any other statute or common law, including but not limited to Trespass, Nuisance, Negligence, or Strict Liability, arising out of, or in any way related to, the **Premises**, including any soil or groundwater impacts on the **Premises** relating to an alleged release of petroleum hydrocarbons or other substances from or onto the **Premises**.

PRINC.

6. Notices pursuant to this **Agreement** shall be given as follows:

If to Owner:

(b) (6)



If to **ConocoPhillips**: Myron Smith
RM&R Area Manager
ConocoPhillips
1500 North Priest Drive
Tempe, AZ 85281
Phone: 602-728-6986

Email: myron.w.smith@conocophillips.com

With a copy to: Derrick Vallance
Counsel
ConocoPhillips
600 N. Dairy Ashford
Houston, Texas 77079
Phone: 281-293-2247

Email: derrick.d.vallance@conocophillips.com

The addresses of the **Parties** may be changed by notice to the other **Parties** in accordance with this paragraph.

7. This **Agreement** shall be construed in accordance with and governed by the laws of the State of Washington.

8. Any modification of this **Agreement** or additional obligation assumed by any party in connection with this **Agreement** shall be binding only if evidenced in writing signed by each of the **Parties** or their authorized representatives.

9. The signatories hereto represent and warrant that they have the right, power, and authority to execute this **Agreement**.

10. This **Agreement** may be executed in multiple counterparts, each of which shall be deemed an original. A facsimile copy of a signature shall be as effective as an original signature.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the Parties hereby enter into this Agreement that shall be deemed executed and effective as of the date first above written.

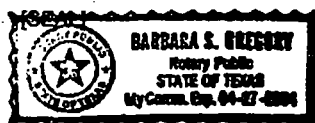
CONOCOPHILLIPS COMPANY
A Delaware Corporation

By: William A Kitchen *WAK*
Title: Risk Mgt & Remediation Mgr

THE STATE OF TEXAS
COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared William A. Kitchen, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he had executed the same in the capacity and for the purpose and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 29th day of January, 2003.



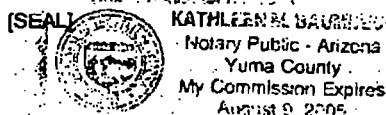
Barbara S. Gregory
Notary Public in and for the STATE OF TEXAS
My Commission Expires: 04/27/2004

OWNER

(b) (6)

THE STATE OF Arizona §
COUNTY OF Yuma §

BEFORE ME, the undersigned authority, on this day personally appeared (b) (6) known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they had executed the same in the capacity and for the purpose and consideration therein expressed.
GIVEN UNDER MY HAND AND SEAL OF OFFICE this 16th day of Jan, 2003.



Kathleen M. Baughman
Notary Public in and for the STATE OF Arizona
My Commission Expires: August 9, 2005

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EXHIBIT A

RESTRICTIVE COVENANT

**Settlement Agreement
By and Between**

ConocoPhillips, (b) (6)

RESTRICTIVE COVENANT

For

8520 N. Freya Avenue; Spokane, Washington

[Parcel: 22-26-43 TR "B" of SP87-520 Being A PTN of SW 1/4 of NW 1/4]

[Parcel: 22-26-43 TR "A" of SP87-520 Being A PTN of SW 1/4 of NW 1/4]

Pursuant to the Model Toxics Control Act, Chapter 70.1 05D RCW, a remedial action was conducted at or in the vicinity of the property that is the subject of this Restrictive Covenant. The work that will be done to remediate the property and conduct long-term operation and maintenance (hereafter the "Cleanup Action") is described in the Consent Decree entered in State of Washington Department of Ecology v. Phillips Petroleum Company & Tosco Refining Corporation, Spokane County Superior Court and in attachments to the Consent Decree and in documents referenced in the Consent Decree.

The Cleanup Action is described in the following documents:

North Market Street Site - Cleanup Action Plan, Washington State Department of Ecology, Eastern Regional Office, September 1999.

Ecology and Environment, Inc., 1989, Technical Assistance Team Site Assessment, Final Report for: Tosco Corporation Spokane Terminal, Spokane, Washington.

Golder Associates, 1985, Phase I Remedial Investigation of the North Market Street Site. Volumes I, II, and III.

1988, Data Compilation Report for the North Market Street Site Phases I, II, and

III Remedial Investigations.

U. S. Environmental Protection Agency, 1990, Aerial Photographic Analysis of Tosco, Incorporated, Spokane, Washington, Prepared by: Environmental Systems Laboratory, TS-PIC-90752.

Washington State Department of Ecology, 1990, October 1990 ground water sample results data report.

1990, Environmental Report Tracking System, Spill Report - Tosco Refining Company, E. 3225 Lincoln Road, Spokane, Washington.

These documents are on file at Ecology's Eastern Regional Office.

This Restrictive Covenant is made pursuant to RCW 70.105D.030(1)(f) and (g) and WAC 173-340-440 by Phillips Petroleum Company & Tosco Refining Corporation, (hereafter the "Defendants"), their successors and assigns, and the Washington State Department of Ecology (hereafter "Ecology"), its successors and assigns. See Ecology letter dated December 18, 2002 from Mr. William J. Fees to Mr. Earl H. Schmidt. Said letter is attached hereto as Attachment A and is hereby incorporated herein by reference.

This Restrictive Covenant is required by Ecology under WAC 173-340-440 because the Cleanup Action resulted in hazardous substances remaining on the Site, and because groundwater concentrations of hazardous substances exceed statutory cleanup levels established under WAC 173-340-720.

The undersigned, (b) (6) are the sole trustees of (b) (6) Living Trust, a revocable trust dated December 8, 1998 (the "Trust"); said Trust is the fee owner of real property (hereafter "the Property") in the County of Spokane, State of Washington, which is subject to this Restrictive Covenant. The property is legally described in Attachment B of this Restrictive Covenant and is hereby incorporated by reference.

The undersigned, (b) (6) on behalf of themselves and the Trust, make the following declaration as to limitations, restrictions, and uses to which the Property may be put and specifies that such declarations shall constitute covenants to run with the land, as provided by law and shall be binding on all parties and all persons claiming under them, including all current and future owners of any portion of or interest in the Property (hereafter "Owner").

Section 1. No groundwater wells may be drilled nor groundwater extracted for any use, except Ecology-approved compliance groundwater monitoring pursuant to the Cleanup Action within the Property, without prior written notice to and written approval from Ecology.

Section 2. Any activity on the Property that may interfere with the integrity of the Cleanup Action and continued protection of human health and the environment is prohibited without prior written approval from Ecology.

Section 3. The Owner of the Property must give thirty (30) day advance written notice to Ecology of the Owner's intent to convey any interest in the Property. No conveyance of title, easement, lease, or other interest in the Property shall be consummated by the Owner without adequate and complete provision for continued monitoring, operation, and maintenance of the Cleanup Action on the Property.

Section 4. The Owner must restrict leases to uses and activities consistent with the Restrictive Covenant and notify all lessees of the restrictions herein on the use of the Property.

Section 5. The Owner must notify and obtain approval from Ecology prior to any use of the Property that is inconsistent with the terms of this Restrictive Covenant. Ecology may approve an inconsistent use only after an opportunity for public notice and comment is provided.

Section 6. The Owner shall allow authorized representatives of Ecology the right to enter the Property at reasonable times for the purpose of evaluating the Cleanup Action; to take samples, to inspect remedial actions conducted at the Property, and to inspect records that are related to the Cleanup Action.

Section 7. The Owner of the Property reserves the right under WAC 173-340-440 to record an instrument that provides that this Restrictive Covenant shall no longer limit use of the Property or be of any further force or effect. However, such an instrument may be recorded only if Ecology, after public notice and comment, concurs.

[SIGNATURE PAGE FOLLOWS]

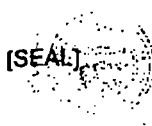
SCHMIDT LIVING TRUST, a revocable trust dated December 8, 1998

(b) (6)

THE STATE OF Arizona §
§
COUNTY OF Yuma §

BEFORE ME, the undersigned authority, on this day personally appeared (b) (6)
(b) (6) known to me to be the persons whose names are subscribed to the foregoing
instrument, and acknowledged to me that they had executed the same in the capacity and for the purpose
and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 16th day of Jan, 2003.

(SEAL)  KATHLEEN M. BAUER
Notary Public - Arizona
Yuma County
My Commission Expires
August 9, 2005

Kathleen M. Bauer
Notary Public in and for the STATE OF Arizona
My Commission Expires: Aug 9, 2005

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EXHIBIT A

WASHINGTON DEPARTMENT OF ECOLOGY LETTER, DECEMBER 18, 2002

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STATE OF WASHINGTON
DEPARTMENT OF ECOLOGY

4601 N. Monroe Street • Spokane, Washington 99205-1295 • (509) 456-2926

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December 18, 2002

(b) (6)

Dear (b) (6)

As you may know, the cleanup activities at the North Market Street Site are nearing completion. The Washington Department of Ecology (Ecology) has provided oversight for these cleanup activities. The remaining tasks to be completed for the Site include the bioventing system installation and deed recordation of restrictive covenants on affected properties. Since your property at 8520 N. Freya Ave. in Spokane, Washington overlies the North Market Street Site groundwater contaminant plume, a restrictive covenant that prohibits groundwater withdrawal from the property will be required.

As part of the remedial investigation of the North Market Street Site, a limited investigation of the property at 8520 N. Freya Ave. indicated the property's shallow soil did not appear to be affected by practices associated with the former refinery at the North Market Street Site. However, the property has been affected by the North Market Street groundwater contaminant plume. Under the Model Toxics Control Act (MTCA-Chapter 173-340 WAC), the plume clause (70.105D.040 (3)(a)(iii)) provides an affected landowner liability protection. In order for this provision to give liability protection, a restrictive covenant must be recorded. The deed recordation will provide the necessary notification regarding the groundwater contaminant plume. The restrictive covenant can be recorded at the Spokane County Assessors Office.

Ecology appreciates your cooperation on this project. If you have any questions or require additional information, please contact me at (509) 329-3589.

Sincerely,

ng for William J. Fees

William J. Fees, P.E.
Environmental Engineer
Toxics Cleanup Program

CC: Ms. Cindy Smith - Phillips

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EXHIBIT B
LEGAL DESCRIPTION

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Legal Description

Tracts "A" and "B" of Short Plat 87-520, being a portion of the Southwest Quarter of the Northwest Quarter of Section 22, Township 26 North, Range 43 East, W.M., in the County of Spokane, State of Washington.